

CHAPTER 9

FEDERAL INSURANCE ADMINISTRATION COMMUNITY RATING SYSTEM

9.0 Introduction

In order to be covered by a flood insurance policy, a property must be located in a community that participates in the National Flood Insurance Program (NFIP). To qualify its residents to participate in the NFIP, a community must adopt and enforce a floodplain management ordinance to regulate proposed development in flood hazard areas. The objective of the ordinance is to ensure that such development will not aggravate existing flooding conditions and that new buildings will be protected from future flood damage. To date, nearly 18,000 communities in the United States participate.

Until recently, the NFIP did little to recognize or encourage community activities to (1) reduce flood damages to existing buildings, (2) manage development in areas not mapped by the NFIP, (3) protect new buildings beyond the minimum NFIP protection level, (4) help insurance agents obtain flood data, or (5) help people obtain flood insurance. Because these activities can have a great impact on the insurance premium base, flood damages, flood insurance claims, and Federal disaster assistance payments, the Federal Insurance Administration (FIA), which is part of FEMA, implemented the Community Rating System (CRS) on October 1, 1990.

The CRS rewards those communities, through lower insurance rates, that are doing more than the minimum NFIP requirements to prevent or reduce flood losses. The system should also provide an incentive for communities to initiate new flood protection activities. Community application for CRS classification is voluntary. Any community in full compliance with the rules and regulations of the NFIP may apply for a CRS classification. The applicant community submits documentation that it is implementing one or more of the activities recognized in the CRS schedule.

The CRS schedule identifies creditable activities, organized under four categories: public information, mapping and regulations, flood damage reduction, and flood preparedness. The CRS schedule assigns points based on how well an activity affects the basic goals of the CRS. Some of the creditable activities may be implemented by the state or a regional district rather than at the local level. In some cases, any community in those states or districts could receive credit points if the community applies for a CRS classification and if the state or district program is in fact being implemented in the community.

The regional FEMA office and the state NFIP coordinator review and comment on the community's application. The FIA verifies the information and also the community's implementation of the activities and sets the credit that will be granted. The FIA notifies the community, the state, the insurance companies, and other appropriate parties. The community's activities and performance are reviewed periodically. If it is not properly or fully implementing the credited activities, its credit points and possibly its CRS classification

will be revised. A community may add or drop creditable activities each year. Credit criteria for each activity may also change as more experience is gained in implementing, observing, and measuring the activities.

It is important to note that reduction in flood insurance rates is only one of the rewards communities receive from undertaking the activities credited under the CRS. Others include increased public safety, reduction of damages to property and public infrastructure, avoidance of economic disruption and losses, reduction of human suffering, and protection of the environment.

9.1 Local Flood Warning Systems

Although the NWS maintains a high interest in any attempt to reduce flood damages, its principal involvement in the CRS is described in Section 610, Flood Warning Program, in FEMA's *National Flood Insurance Program Community Rating System [NFIP CRS] Coordinator's Manual*, October 1990. These FEMA guidelines state that the NWS certifies the automated LFWS to enable the individual community to receive credit under the CRS and to reduce their flood insurance premiums.

The NWS is an advocate of the automated LFWS as evidenced primarily by its efforts in the ALERT networks and the IFLOWS. The NWS works in concert with local communities to implement the automated LFWS to obtain data and information to augment its basic mission of issuing flood/flash flood watches, warnings, and forecasts. Normally, the NWS works with a community in the development of an automated LFWS under an MOU. The MOU serves as certification to FEMA/FIA that the NWS is aware of the automated LFWS.

There may be instances when there is no MOU between the NWS and a community which operates an LFWS, but the NWS is aware of the existence of the system. In this instance, the certification wording provided to FEMA/FIA would be: "Although the NWS does not have an MOU with the entity, we are aware that such a system does exist." Naturally, more information can be conveyed if the NWS is familiar with the system but simply does not have an MOU with the community. If the NWS is not aware of the existence of an automated LFWS, it cannot certify the system.

FEMA guidelines imply that only automated LFWSs should receive credit under Section 610, Flood Warning Program. However, there are manual flood warning systems that have existed for many years in communities with an adequate response plan, and FEMA/FIA may give credit for these systems, though possibly not as much as a community would receive for an automated LFWS. The procedure applicable for certification of an automated LFWS should be similar for a manual LFWS.

A viable flood warning system consists of two parts: (1) a flood warning dissemination system and (2) a corresponding recognition/response plan. As described in FEMA's *NFIP/CRS Coordinator's Manual*, the certification role of the NWS in flood warning systems does not differentiate between the flood threat recognition portion and the response plan. In many instances, the NWS is not aware of the details of a response plan. The review of the

response portion of an automated LFWS should be delegated to specialized consultants or to FEMA/FIA directly for certification.

The NWS is involved in the initial certification process, not the CRS evaluation. The NWS is only required to certify that an automated LFWS exists. Since the NWS cannot forecast for all specific structures in a community or for the numerous small creeks and drainage within a given community, any flood impact information requested by either FEMA or the community for specific structures within a community generally cannot be provided by NWS. Similarly, any request from the community that the NWS establish new forecast points in its area is also subject to limited available NWS resources.

Section 610 of FEMA's *NFIP/CRS Coordinator's Manual* requires that there be a minimum of 30 minutes warning time to obtain credit for an LFWS. While there are numerous events when a 30-minute warning time can be obtained easily, the NWS cannot assure the 30-minute lead-time under all conditions. Therefore, the 30-minute lead-time requirement for certification by NWS can be overlooked for some cases of riverine flooding as long as the community has some organized type of flood threat recognition system which allows them to take action without necessarily relying on the NWS. This flood threat recognition system could include such things as operating an automated LFWS, employing a private weather forecasting service, contributing toward the funding of a regional flood threat recognition system, or collecting local data for use by the NWS in making flood forecasts for the area.